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# ANNUAL OUTLOOK ISSUE

## THE

# AGRICULTURAL

# SITUATION

### OCTOBER 1941

*A Brief Summary of Economic Conditions*

Issued Monthly by the Bureau of Agricultural Economics, United States Department of Agriculture

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#### IN THIS ISSUE

|                      | Page |                           | Page |
|----------------------|------|---------------------------|------|
| Demand.....          | 2    | Fats and Oils.....        | 17   |
| Exports.....         | 4    | Wheat.....                | 19   |
| Prices.....          | 5    | Cotton.....               | 20   |
| Farm Income.....     | 8    | Tobacco.....              | 21   |
| Dairying.....        | 10   | Fruits.....               | 23   |
| Feed.....            | 11   | Vegetables.....           | 24   |
| Beef Cattle.....     | 13   | Dry Beans.....            | 25   |
| Hogs.....            | 14   | Poultry Products.....     | 25   |
| Sheep and Lambs..... | 16   | Producer to Consumer..... |      |
| Wool.....            | 16   | W. E. F. Conrad           | 28   |

**B**IGGEST FOOD PRODUCTION PROGRAM in our Nation's history is being organized this fall. National goals call for high record production of milk, cheese, poultry, eggs, meats, some fruits, and vegetables—in 1942. The farm plant is in best condition in years, livestock on farms and ranches are close to peak numbers and condition; even so, good weather and the all-out cooperation of farmers in making needed adjustments for national defense will be required to attain the national food production goals in 1942. \* \* \* Fall harvests now being made assure dairymen, poultrymen, hog growers, cattlemen abundant feed for stock this winter. Feed and food granaries and warehouses are well stocked for winter need in our own country and for export requirements. \* \* \* Prices and income of farmers are around top figures for recent years. Increased consumer demand, the Government loans to farmers, and increased Government purchases under food-for-defense programs combine to spell the best economic outlook for farmers in many years.

## FARM OUTLOOK FOR 1942

**T**HE demand for farm products in 1942 will be even better on the average than in 1941. This favorable demand situation is expected to arise mainly from (1) a higher average level of business activity and consumer incomes than in 1941; (2) larger total purchases of farm products under the food-for-defense program; (3) reduced competition from imported commodities which compete with domestic farm products; (4) strong speculative and storage demand based upon the rising general price level. Some of these factors, however, already are largely reflected in the level of demand reached by the early fall of 1941, and the improvement from this point will not be as great as from the average for the year. This outlook for demand, and for the general price level, farm income, and the several commodities included in this annual outlook report assumes continuation of the war through 1942.

**I**NDUSTRIAL activity experienced a greater advance in 1941 than in any other year on record, and most industries now are operating at near-capacity rates with total output substantially above that of previous peak years. The demand for most goods has increased so much, as a result of the defense program, that it should be able to absorb the maximum output of industrial products as a whole so long as the defense program is expanding. The industrial outlook for 1942, therefore, must be based largely upon estimates of the level of production which can be attained in view of limitations imposed by supplies of raw materials and labor, rather than upon the prospective demand for different industrial products as is usually the case.

Many new industrial plants, mostly devoted to defense, will be coming into operation in future months, but unless more materials can be made available their operation will be largely at the expense of reduced output in existing plants devoted to the manufacture of civilian goods. Complicating the problem is the possible utilization of apparently large inventories of raw materials and semifinished products which have been built up since the war began, about the nature and loca-

tion of which little is known. Another unknown is the extent to which changes in man hours per ton of material used in manufacturing industries may occur because of the more exacting specifications for defense than for civilian equipment (the output of some industries is measured in terms of man hours).

But taking into account the indicated increase in output of materials in 1942 over 1941, and making what seem to be reasonable allowances for probable changes in materials inventories and in the amount of labor required for processing these materials, an additional increase in production of industrial goods in 1942 is indicated. This increase will not be nearly so large, however, as the expansion which occurred this year, perhaps about 10 to 15 percent over the average for 1941.

**N**ONAGRICULTURAL employment and the incomes of urban consumers of farm products will be added to also by expansion in other fields of business activity such as amusements, trade and professional and personal services. Employment for the year 1942 as a whole may be 2 to 3 million persons greater than the average for 1941, with a total increase of 6 to 7 million since the European

war began. With a rising price level and increases in wages in some occupations the money incomes of consumers will expand more than the increase in employment.

Income of industrial workers has risen out of proportion to other measures of consumer money purchasing power, and in 1942 may be three-fourths greater than at the beginning of the war and possibly greater than in 1941. Both nonagricultural labor income and national income may be 10 to 15 percent above the average for this year. These indications of the money purchasing power of consumers in 1942, of course, depend in considerable part on movements of the general price level, which are especially difficult to forecast in view of uncertainties with respect to Government policies. It must again be emphasized that the increases above levels of production, employment and purchasing power now prevailing will be much less than the average rise from 1941 to 1942, in view of the sharply rising trends in 1941.

**T**HE food-for-defense program got under way about April 1941. Government purchases for export to Great Britain under the lend-lease arrangement, for accumulating stockpiles and for other purposes in 1942 are expected to be substantially above those for this year. The direct effect on prices of these purchases made in 1941 has been supplemented by important indirect effects arising from the announcement of price-support levels for certain commodities and increased speculative and storage demand by the private trade based on these supports and upon prospects for expanded needs under the food-for-defense program. For example, the demand for and prices of butter during the into-storage season were stimulated much more than the size of Government purchases made at the time alone would have justified. In this way, a

considerable portion of the effects of the food-for-defense program already has been reflected in the markets for farm products, and the further stimulation to demand in 1942 will be less than the relative quantities purchased might indicate.

Early in 1941 it became apparent to the trade that difficulties in obtaining imported commodities—partly because of shipping shortages and increased ocean freight rates—would be greater than had been anticipated. There was heavy buying of all imported commodities, including those which compete with domestic farm products. This stimulated the demand for lard, cottonseed oil and other domestic commodities. The effects of this factor in the demand situation already seem to have been largely discounted in domestic markets, although further complications of the international situation could easily change the picture. On the other hand, increased shipbuilding and possible settlement of some international difficulties in the Pacific would have an opposite tendency.

**T**HE importance of speculative and storage demand varies greatly among commodities and from time to time. It is most significant in connection with commodities such as wheat, cotton, corn, and other relatively nonperishable products which can be stored over considerable periods of time, but it is also an important seasonal influence in hog, dairy, and poultry products. During 1941 this kind of demand was an important factor influencing prices of numerous agricultural commodities, and it may have even greater effects in 1942.

The strong speculative and storage demand this year was based partly upon the "floors" placed under prices of some important commodities by Government programs. These "floors" offer assurance against large losses by speculative holders of commodities bought at levels not far above the price floors, while at the same time

possible opportunities for large gains exist, depending upon the outlook for future price increases. With a rising general price level, these prospects have "looked good" to many elements in the trade. If the general rise in prices continues it is probable that speculative and storage demand will become even stronger. This might raise prices of some products well above levels indicated by actual or prospective consumer and export demand in relation to available supplies.

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**EXPORTS** Early in 1941 exports of farm products had fallen to the lowest level in 74 years. Great Britain—our largest customer—was buying mostly from Empire sources in order to conserve her rapidly diminishing dollar exchange for the purchase of war materials unobtainable elsewhere than in the United States. Then, in April 1,350 million dollars of the 7 billion dollar lend-lease appropriation was earmarked for agricultural and other commodities and articles. Since that time there has been a gradual increase in farm products exports, and further substantial gains are in prospect.

The President has asked for an additional appropriation of 1,875 million dollars for the purchase of agricultural and industrial commodities under the terms of the proposed new lend-lease legislation. The Secretary of Agriculture has announced that in 1942 the British Government expects to obtain from the United States about one-fourth of its requirements of animal protein foods, or enough to feed 10 million people.

*To meet fully these prospective agricultural exports in 1942 will require about twice as large a volume of agricultural products as were exported in 1941. Around three-fourths of the total will go to the British. The total volume of exports still would be low, however, relative to most other recent years.*

**T**HE prospective 1942 increases in farm product exports do not affect appreciably such products as cotton and wheat. Exports of tobacco (another agricultural product for which the foreign market ordinarily is quite important) will be increased to some extent in 1942, but may not return to pre-war volume. Such increases in tobacco exports as may occur will be from the crops of past years rather than the crop harvested in 1941.

The 1942 export needs for pork products and eggs are estimated to be about 3 times those of 1941, for dairy products and canned fruits about twice as large as in 1941, and for lard and dried fruits about 1½ times as large. Canned vegetable and dry-bean exports also are expected to continue large.

*In order that the prospective 1942 export needs may be met without lowering the average per capita consumption of our own population, increased production of the affected commodities will be needed. Expanded production goals for all of the affected farm commodities have been announced by the Secretary of Agriculture, and during 1942 prices of a number of animal products will be supported by the Department of Agriculture at not less than 85 percent of parity.*

**D**ESPITE these prospects for larger exports in 1942, it must be recognized that the normal export markets for farm products formerly shipped abroad in greatest volume have been greatly curtailed, and that they will probably continue curtailed during the present war. When peace comes, any large increases in export volume probably will continue to depend chiefly upon Governmental action, since European countries will be lacking in dollar purchasing power or the means of acquiring it quickly. Competition from other surplus-producing nations will be even more vigorous than in the past.

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**PRICES** *The general trend of wholesale prices in 1942 is almost certain to be upward if the war continues. Important forces contributing to this prospective strength in prices are (1) large increases in the money incomes or purchasing power of consumers; (2) shortages of some important raw materials and consequent limitations in the output of finished consumers' goods made from them; (3) speculative buying and withholding of commodities based on the general knowledge that prices tend to rise when major wars are in progress. On the other hand, existing and proposed Government controls over prices, and some other factors in the situation, will tend to limit the general price advances.*

*Taking into account these conflicting and in some cases not yet determined forces, it now seems likely that the Bureau of Labor Statistics index number of*

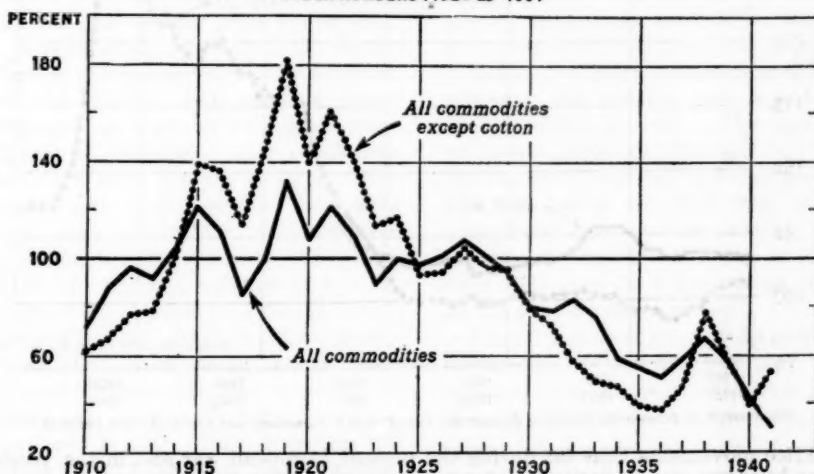
*all commodity prices for the year as a whole will at least equal the 1926 level, which is about 50 percent higher than in 1910-14. Prices of agricultural products, which have risen much more than prices of industrial products during the past year, probably will continue to make a favorable relative showing, but not so favorable as in 1941.*

**D**URING most of 1940 and in 1941 the money incomes of consumers have been rising rapidly. But the output of both agricultural and non-agricultural commodities—particularly the latter—also has been rising at a fast pace, absorbing much of the increased money purchasing power.

During the coming year Government expenditures for defense will be greatly increased. Some of the recent increases in employment and wage rates will be reflected in the full year figures for 1942 instead of only a part

#### VOLUME OF AGRICULTURAL EXPORTS FROM THE UNITED STATES, 1910-41\*

INDEX NUMBERS (1924-29 = 100)



\* 1910-14 INDEX NUMBERS ARE AVERAGES FOR FISCAL YEARS ENDING AND BEGINNING IN THESE CALENDAR YEARS  
DATA FOR 1941 ARE PRELIMINARY ESTIMATES.

During the first 2 years of the present European war exports of farm products declined sharply, in contrast with the marked increase which occurred during the first 2 years of the World War. Foreign sales of the leading export crops will remain small in 1942, but exports of livestock products will increase greatly as a result of the lend-lease programs.

of the year as in 1941. National income and the incomes of different groups will be substantially higher in 1942 than in 1941.

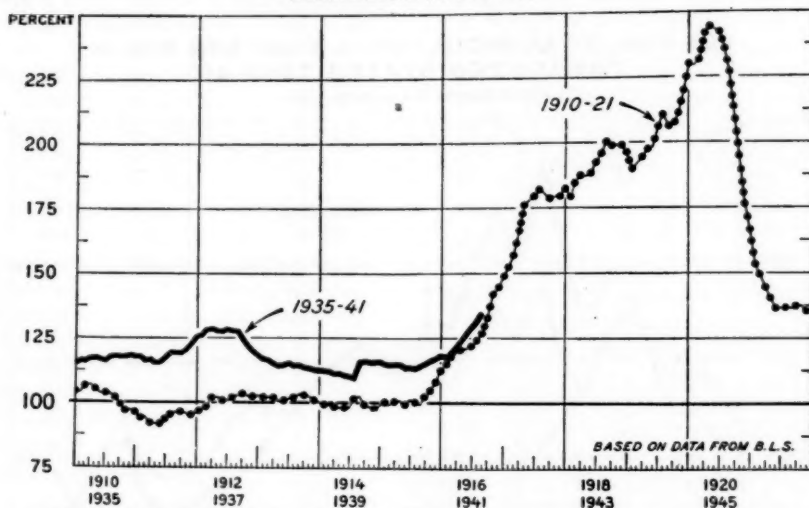
In contrast with these increased money incomes, the output of many kinds of industrial goods for civilian use will be curtailed as the plants formerly making them are converted to defense production or shortages of materials and skilled labor develop further. This impact of rising incomes against a diminished supply of commodities for civilian consumption inevitably would result in a higher general level of prices unless the excess money purchasing power were siphoned off by increased taxes or savings, or unless stern measures were taken to adjust demand to supply by limiting the quantities of

goods consumers are allowed to purchase. It is not likely that any developments along these lines will be sufficient to prevent an increase in the general level of prices.

Shortages of materials and the necessity for converting some plants from civilian to defense production will result in substantial decreases in the output of some goods. Automobile production in 1942 probably will be cut at least 40 percent under the total for 1941, and the output of numerous other durable consumer goods and some building materials will be substantially reduced. Even in lines where production is not held below that of 1941 some apparent shortages will develop because of increases in demand greater than in supply.

#### WHOLESALE PRICES OF ALL COMMODITIES, UNITED STATES, 1910-21, AND 1935-41

INDEX NUMBERS (1910-14 = 100)



THE NUMBER OF COMMODITIES USED IN COMPUTING THESE INDEX NUMBERS WAS 550 IN 1913 AND 889 IN 1941

Price movements thus far during the present European war and in the World War have certain similarities, but conditions influencing prices during the course of the present war may prove to be different in several important respects. Although the general movement of prices is expected to be upward in 1942, the extent of the rise probably will not be as great as in 1917. The chart shows the slowing down in the price rise which occurred during the World War from the middle of 1917 until the end of hostilities during the period of widespread price controls. These controls were removed when the war ended and prices again rose rapidly for awhile.

AS these conditions lead to actual or attempted increased buying by consumers and to price rises for some commodities, potential buyers give more and more thought to the problem of how to get commodities and less and less thought to the cost of commodities. There is a tendency to buy extra quantities of goods to be held in the expectation of using or reselling the goods when prices are higher. Since the extent of the price rise is dependent partly upon these subjective evaluations of how high prices will go, the speculative transactions may soon become largely unrelated to the realities of actual supply and consumer demand conditions.

Prices of some commodities during World War I rose to and were held throughout the war at levels considerably above those actually justified by the movement into consumption of commodities in relation to available supplies. Obviously, under these conditions general price movements are influenced by psychological considerations much more than in ordinary times, correspondingly increasing the difficulty of making price predictions.

Unrestricted, there is little doubt that prices in general would continue to rise rapidly and reach a point probably as high as or higher than during World War I. But conditions have not been, are not being and will not be left to themselves. The warring countries have demonstrated more or less conclusively the possibility of exercising a degree of control over prices necessary to prevent runaway inflation. Even in this country, steps have been taken which have prevented large increases in prices of many important commodities such as steel and copper. Such increases no doubt would have led to rises in prices of many associated commodities.

Since Congress has not yet taken action with respect to proposed price controls of various sorts, it is impossible to evaluate fully the prospective effectiveness of the measures which may be finally adopted. Most ob-

servers are agreed, however, that it will be difficult to control some prices, and that such increases will add to the cost of living and may bring further rises in wage rates and otherwise contribute to increased costs of production of other goods. Under such circumstances some increases in prices of even the controlled commodities might follow. It is difficult to do more than limit the degree of rise in prices when strong price lifting forces are in operation.

THE movement of the general price level since the outbreak of war in 1939 bears remarkable similarities to the movement following the outbreak of war in 1914. Many of the conditions which influenced prices during the World War I again are present. But many conditions are different, and acceptance of any inevitable or mechanical relation between price movements in the two periods should be avoided.

A rise in the average level of all commodity prices in 1942 to about the 1926 level probably would reflect a greater percentage increase in wholesale prices of farm products than in prices of nonagricultural commodities, although the relative gain would be smaller than in 1941. The rise in wholesale prices in 1941 has not yet been entirely reflected in retail prices, and the cost of living in 1941 is up only about 5 percent over 1940. The increase in the cost of living in 1942 over 1941 may be  $1\frac{1}{2}$  times as large as it was this year over 1940.

Food prices have gone up 10 percent in the past 6 months, but may not continue to advance at as rapid a rate through 1942, since the influence of some of the factors responsible for this rise already has been largely reflected in the present level of food prices. The rise in living costs other than food probably will be much greater from 1941 to 1942 than it was this year over last, when such items increased in price very little.

**D**ESPITE these prospective increases in food prices and other living costs and in taxes, and reductions in output of some kinds of civilian durable goods, the standards of living of the working population as a whole should average higher in 1942 than in any year of the past. For this to be possible, however, some shifts in the relative consumption of different kinds of goods and services would be necessary. Increases in the prospective purchasing power of various groups of workers in 1942 over the average for 1941, in terms of over-all living costs and without allowance for higher taxes, may be about as follows: Industrial workers around 10 percent, all nonagricultural wage and salary earners about 5 percent. Compared with recent years other than 1941 the gains

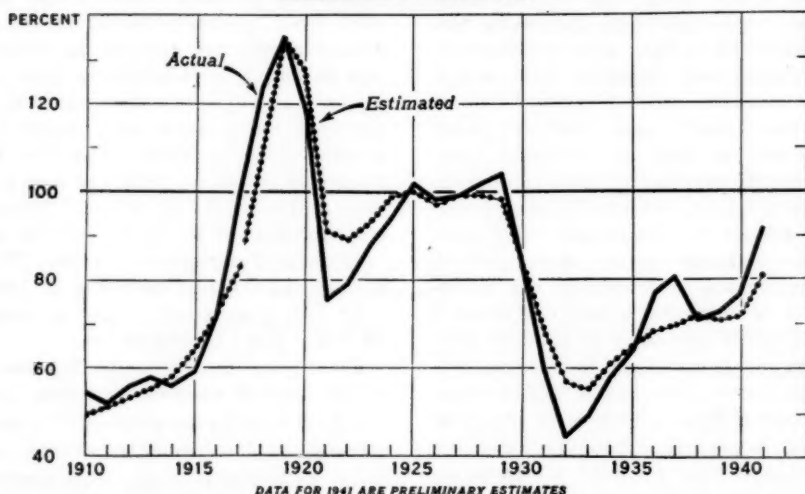
will be much larger, and there will be a considerable margin even over 1929.

**FARM INCOME** *Cash farm income from marketings and Government payments in 1942 may approach 13 billion dollars. This would be the highest income since 1920. It compares with nearly 11 billion in 1941, slightly more than 9 billion in 1940 and less than 5 billion in 1932. Increased returns from the sale of farm products will be the result largely of higher average prices received in 1942 than in 1941, although a moderate increase in production—particularly of livestock and livestock products—also will contribute to the rise.*

**F**ARM prices in 1941 will average nearly 25 percent above 1940, and a gain of about the same proportions is indicated for 1942 over 1941. Prices

#### CASH INCOME FROM FARM MARKETINGS, ACTUAL AND DERIVED FROM VALUE OF EXPORTS AND NONAGRICULTURAL LABOR INCOME, UNITED STATES, 1910-41

INDEX NUMBERS (1924-29=100)



Variations from the average cash farm income during the years 1910-41 appear to be largely accounted for by changes in the money purchasing power of domestic consumers (nonagricultural labor income) and the value of exports of farm products. The dotted line shows how farm income might have moved if no other factors had influenced it. For purposes of comparison, the actual cash income from farm marketings is shown by the solid line.

were much below present levels during the first part of 1941, and would have to rise on the average in 1942 less than 10 percent from the present level in order to fulfill this outlook.

Production of many agricultural commodities in 1941 has been the largest on record. Total production is expected to be about 2 percent above 1940 and about 12 percent above the 1924-29 average. Production goals for 1942—calling for a further increase in production of about 2 percent—have been set after a thorough canvass of probable domestic consumption and exports of agricultural products.

If contemplated goals are met, there will be a sharp increase in the production of livestock products. This will more than offset a decline of nearly 10 percent in the output of crops. Most of the reduction in crop output in 1942 would result from smaller crops of wheat and other products, more than offsetting probable increases in the output of sugar, truck crops, peanuts, and soybeans.

**I**NCOME from all groups of farm products is expected to be higher in 1942 than in 1941, but the rise will

be much greater for some groups of commodities than for others. Income from grains may not be much larger than in 1941, because of the prospective marked decline in production of wheat. Income from fruits and vegetables and from livestock products will probably increase along with the expected increase in income of consumers and the probable increase in exports of many of these commodities.

Prices received by farmers have gone up more than prices paid during 1941, and the general level of farm prices in mid-September was above parity. It is expected that prices paid by farmers will rise substantially in 1942 but not enough to offset the increase in prices received, so that for the year 1942 as a whole the ratio of prices received to prices paid should be about at parity. Largest prospective increases in prices paid by farmers are for food, automobiles and tractors, building materials, feed, containers and other small equipment and supplies. Farm wage rates also will be substantially higher. Moderate advances are expected in prices of farm machinery, fertilizer, seed, gas and oil and possibly in taxes. The purchasing

#### Prices of Farm Products

[Estimates of average prices received by farmers at local farm markets based on reports to the Agricultural Marketing Service. Average of reports covering the United States weighted according to relative importance of district and States.]

| Product   | 5-year<br>average<br>August<br>1909-<br>July<br>1914 | Septem-<br>ber<br>average<br>1910-14 | Septem-<br>ber<br>1940 | August<br>1941 | Septem-<br>ber<br>1941 | Parity<br>price<br>Septem-<br>ber 1941 |
|---|--|--------------------------------------|------------------------|----------------|------------------------|--|
| Cotton, pound.....cents                             | 12.4   | 12.2                                 | 9.23                   | 15.33          | 17.53                  | 16.99                                  |
| Corn, bushel.....do                                 | 64.2   | 69.6                                 | 61.9                   | 70.0           | 70.8                   | 88.0                                   |
| Wheat, bushel.....do                                | 88.4   | 87.7                                 | 62.6                   | 88.5           | 95.8                   | 121.1                                  |
| Hay, ton.....dollars                                | 11.87  | 11.39                                | 6.98                   | 7.64           | 7.94                   | 16.26                                  |
| Potatoes, <sup>1</sup> bushel.....cents             | 69.7   | 74.4                                 | 59.5                   | 63.6           | 64.4                   | 94.5                                   |
| Oats, bushel.....do                                 | 39.9   | 38.8                                 | 27.0                   | 32.5           | 39.9                   | 54.7                                   |
| Peanuts, pound.....do                               | 4.8  | 4.7                                  | 3.38                   | 4.29           | 4.49                   | 6.58                                   |
| Rice, bushel.....do                                 | 81.3   | ( <sup>2</sup> )                     | 61.6                   | 104.5          | 80.1                   | 111.4                                  |
| Tobacco:  |  |                                      |                        |                |                        |  |
| Flue-cured, types 11-14, pound <sup>3</sup> .....do | 22.9   | ( <sup>2</sup> )                     | 14.5                   | 23.8           | 26.2                   | 24.3                                   |
| Maryland, type 32, pound <sup>3</sup> .....do       | 23.0   | ( <sup>2</sup> )                     | 22.0                   | 35.0           | 32.0                   | 19.1                                   |
| Apples, bushel.....dollars                          | .96  | .71                                  | .76                    | .85            | .85                    | 1.32                                   |
| Beef cattle, hundredweight.....do                   | 5.21   | 5.09                                 | 7.77                   | 9.07           | 9.36                   | 7.14                                   |
| Hogs, hundredweight.....do                          | 7.22   | 7.49                                 | 6.14                   | 10.39          | 11.10                  | 9.89                                   |
| Chickens, pound.....cents                           | 11.4   | 11.6                                 | 13.7                   | 16.3           | 16.3                   | 15.6                                   |
| Eggs, dozen.....do                                  | 21.5   | 20.5                                 | 21.0                   | 26.8           | 30.3                   | 33.3                                   |
| Butterfat, pound.....do                             | 26.3   | 26.8                                 | 27.1                   | 36.0           | 37.2                   | 34.6                                   |
| Wool, pound.....do                                  | 18.3   | 18.6                                 | 28.0                   | 35.7           | 36.3                   | 25.1                                   |
| Veal calves, hundredweight.....dollars              | 6.75   | 6.78                                 | 9.06                   | 10.56          | 11.26                  | 9.25                                   |
| Lambs, hundredweight.....do                         | 5.87   | 5.47                                 | 7.59                   | 9.32           | 9.84                   | 8.04                                   |

<sup>1</sup> Post war base.

<sup>2</sup> Prices not available.

<sup>3</sup> Base price 1934-38.

<sup>4</sup> Adjusted for seasonality.



power of both cash farm income and net farm income probably will be materially greater in 1942 than in 1941.

**DAIRYING** *Production goal for 1942 is 125 billion pounds of milk. This compares with 117 billion pounds estimated output in 1941, and with 107 billion average for 1936-40. To get the desired increase in 1942 production will require an increase of about 4 percent in milk production per cow above the record high level of 1941.*

**F**ARMERS have been feeding large amounts of concentrates during 1941; they will need to feed even larger quantities in 1942 in order to reach the desired milk production goal. The total supply of the principal feed grains for 1941-42 was indicated in September to be about 125 million tons. This is slightly more than the supply for 1940-41 and 15 million tons above the 1928-32 average. The number of grain-consuming livestock in early 1942 is expected to be about 5 percent larger than in early 1941. Thus the supply of feed grains per grain-consuming animal unit will be about 3 percent smaller this year than last, but 14 percent above the 1928-32 average. However, feed grain supplies in 1941-42 will be ample for heavy feeding, since only part of the total supply in 1940-41 was fed. Supplies of high protein feeds probably will be 5 to 10 percent larger in 1941-42 than in 1940-41.

Total hay production in 1941 is estimated at about 96 million tons. This is slightly larger than last year's crop and the largest since 1927. Production of alfalfa hay is estimated at 33 million tons, much larger than for any other year on record. Hay supplies are especially large in the central Corn Belt, and in this area hay prices are low relative to prices of other feeds. Hay supplies in the Eastern States are small, and livestock numbers in these States have been increased in recent

Of all the farm commodities of which increases are needed the most urgent need is for more milk. We need to consume more dairy products in this country for improved health and strength, and the British will need tremendous quantities of cheese, evaporated milk and dry skim milk. To reach the production goals for 1942 the greatest effort will be required in dairying.

—CLAUDE R. WICKARD.

years. Thus, a greater-than-usual shipment of feed into this area may be necessary in 1941-42.

**P**RICES of milk and butterfat in recent months have been high in relation to feed grain prices. The ratio of butterfat prices to feed grain prices is expected to be more favorable for farmers than a year earlier during most of the remainder of 1941 and the ratio of prices paid by condenseries for milk to feed grain prices will probably be more favorable than a year earlier through the first half of 1942. The ratio of butterfat prices to prices of by-product feeds was slightly below average in mid-September this year but may improve in coming months.

Prices of butterfat have been high in relation to prices of veal calves and beef cattle during 1941 and are expected to continue about as high in 1942. The ratio of butterfat prices to hog prices was relatively low in 1941 but for dairymen this ratio is expected to improve during 1942.

**P**RODUCTION of manufactured dairy products in 1942 will probably be the largest on record, because of increased demands for domestic consumption and prospective large exports under the lend-lease program. Estimates of prospective needs indicate that production of cheese should

be about one-third larger in 1942 than in 1941; condensed and evaporated milk, one-fourth larger, and dry skim milk for human consumption twice as large. Only a slight increase is needed in butter production.

Since all of the products for which large increases are desired are made from whole milk, farmers will need to sell a larger percentage of their milk in the form of whole milk rather than cream in 1942 as compared with 1941. It is estimated that the proportion of whole milk sold from farms at wholesale should be increased from 43 percent of all milk produced on farms in 1941 to 48½ percent of all milk produced in 1942. The proportion of total milk used in cheese will need to be increased from 7.8 percent in 1941 to 9.4 percent in 1942 and in condensed and evaporated milk, from 5.4 percent to 6.5 percent.

**E**XPORTS of dairy products in 1942 (including shipments to territories) will also be at record or near-record levels. It is estimated that the milk equivalent of total exports in 1942 will be 5.4 billion pounds, compared with 2.6 billion pounds in 1941 and 0.7 billion pounds in 1940. Approximately 80 percent of the exports in 1942 will be under the lend-lease program.

Imports of cheese in 1942 will probably be small. Imports from European sources fell off sharply after the outbreak of war, but imports from Argentina have been increasing in recent months. Imports of casein in 1942 probably will continue relatively large. Casein imports in 1940 were the largest since 1929 and in 1941 will exceed those of 1940.

**P**ER CAPITA consumption of all manufactured dairy products except ice cream in 1942 probably will be about the same as in 1941. Per capita consumption of fluid milk and cream (nonrelief) in 1942 may be about 2 percent larger than in 1941 and of ice cream, 8 percent larger. Consumption of ice cream has always increased

rapidly with increases in national income. Per capita consumption of all milk and dairy products (on a milk equivalent basis) in 1942 will be about 21 pounds larger than in 1941 if the desired goal for milk production is reached.

Prices received by farmers for milk and butterfat increased contra-seasonally in the spring of 1941 and have been materially above the 1940 level during the fall of 1941. Further increases in these prices are expected, but the change in average prices from 1941 to 1942 may not be as pronounced as the change from 1940 to 1941. Consumer expenditures for all milk and dairy products in 1942 probably will exceed expenditures in 1941 by 15 percent or more.

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**FEED** *National goals for 1942 include 87.5 to 90.0 million acres of corn. This compares with 87.4 million in 1941, and with 94.0 million average for 1936-40. Oats about 40 million acres in 1942, compared with 38.2 million in 1941, and with 37.0 million average for 1936-40. Barley 14.3 to 14.5 million acres, compared with 14.8 million in 1941, and 12.9 million in 1936-40. Grain sorghums 9.3 to 9.5 million acres, compared with 9.3 million in 1941, and 9.3 million in 1936-40. All hay 74 to 75 million acres in 1942, compared with 74 million in 1941, and 69 million in 1936-40.*

**P**RODUCERS of feed grains have a more favorable outlook than in any of the past few years. Feed grains and millfeed prices have advanced considerably during the past year, but livestock prices have advanced more than feed prices and feeding ratios are much more favorable to livestock producers than at this time last year. Livestock prices are expected to be maintained near present levels in 1942 and livestock production is increasing. Stronger demand for feed during 1941-42 is expected to maintain feed prices near or above the September

level. Furthermore, the loan on 1941 corn (85 percent of parity) will give support to corn prices and to some extent to prices of other feeds.

Prices of wheat millfeeds and high protein feeds are \$10-\$15 per ton higher than a year earlier. Corn, oats, and barley prices are 10 to 15 cents per bushel higher. Some further advance in feed prices over September averages may occur during the coming year. The final outcome of the 1941 feed production and the rate of disappearance will influence feed prices this winter and spring, and prospects for next year's crop will influence prices next summer and fall.

Livestock prices in general have advanced more than feed prices during the past year and feeding ratios are more favorable than a year ago. As livestock production expands during 1942, there may be a tendency for ratios to become less favorable. This may be due more to advancing feed prices than to lower livestock prices.

**T**HE acreage planted to feed grains may be a little larger in 1942 than the area planted this year. The national goal for corn is 87.5 to 90 million acres. Some expansion in corn acreage is expected in the western part of the Corn Belt. There may also be some expansion in some areas outside the Corn Belt. But the large stocks of corn on hand and favorable returns from participating in the Agricultural Conservation Program in recent years may limit increases in the Corn Belt. The national goal for oats in 1942 is 40 million acres and the national goal for barley is 14¼ to 14½ million acres. The combined acreage of oats and barley will probably be a little larger in 1942 than in 1941. During the past 5 years, oats, barley, and grain sorghum yields have been about in line with the pre-drought, 1923-32, average. Corn and hay yields, however, have been consistently above this average.

The 1923-32 average yield for corn was 25.4 bushels, but with the increased

acreage of hybrid corn, together with improved farming practices, corn yields have increased. The 1937-41 average yield was 28.6 bushels per acre. With alfalfa hay acreage increasing in recent years, the United States average hay yield has increased from an average of 1.20 tons per acre for 1923-32 to 1.28 tons per acre for the 1937-41 average. With higher yields in recent years it has been possible to maintain feed production on a smaller total feed-crop acreage.

**T**HE combined supplies of corn, oats, and barley for 1941-42 plus the 1941 production of grain sorghums, based on September 1 indications, are 125 million tons. This is slightly larger than the supply last year, and 17 percent above the 1928-32 average. The 1941-42 corn supply is 3,174 million bushels, or about 30 million bushels larger than last year and 455 million bushels above 1928-32 average. About 375 million bushels (10.5 million tons) of October 1 corn stocks were sealed or owned by the Government. During 1941-42 the strong demand for corn from feeders will curtail the quantity sealed and probably less corn will be held under seal on October 1, 1942, than on October 1 this year. Supplies of corn are about 50 percent above the 1928-32 average in the central area of the Corn Belt. In the eastern part of the Corn Belt supplies are considerably above the 1928-32 average and in the area west of the Missouri River supplies are somewhat below this average, but large relative to livestock numbers.

**D**OMESTIC disappearance of all types of feed during 1941-42 is expected to be the largest in recent years. Corn disappearance as feed may exceed that of 1940-41 by 150 million bushels. In this event, the carry-over in 1942 would be reduced to around 500 million bushels. The disappearance of oats in 1941-42 may be greater than in 1940-41 and oat stocks next July 1 will probably be consider-

ably smaller than on July 1, 1941. Disappearance of barley and grain sorghums probably will be the largest on record.

Supplies of wheat millfeeds for 1941-42 will be above average for recent years and supplies of high protein feeds will be the largest on record. Supplies of cottonseed, peanut, and copra cakes and meals are expected to be smaller than in 1940-41. Smaller supplies of these feeds, however, will probably be more than offset by a record production of soybean cake and meal. Supplies of soybean cake and meal may exceed 2 million tons. Supplies of linseed meal for domestic consumption will be large again in 1941-42, since the volume of flaxseed crushed will be large and very little is being exported.

**L**IVESTOCK production and livestock numbers are increasing. The number of grain-consuming animal units on farms January 1, 1942, is expected to be about 140 million, or slightly above the 1928-32 average. A further expansion is in prospect for 1942, barring the possibility of a drought. Unless there is a sharp reversal in the present upward trend in income of consumers and the general price level, the demand for feeds may improve further in 1942-43.

Utilization of corn for industrial purposes during 1941-42 is expected to be 10 to 20 million bushels larger than during 1940-41. The wet-processing industries used about 100 million bushels during 1940-41, or 17 million bushels more corn than in 1939-40. Other industries consumed about 80 million bushels. About 20 million bushels of corn have been offered to the War Department by the CCC for use in making alcohol. This will further increase domestic disappearance of corn in 1941-42. Exports of corn in 1940-41 totaled about 15 million bushels. Practically all of this was corn sold under subsidy or shipped

out under provisions of the lend-lease program.

**BEEF CATTLE** *The production goal for 1942 calls for a total slaughter of cattle and calves of about 28 million head. Slaughter in 1941 will be a little over 25 million head. Average for the period 1936-40 was a little less than 25 million head.*

**I**F the goal for cattle and calf slaughter in 1942 is reached, the upward trend in the number of cattle and calves on farms will be halted. Reaching the goal for 1942 will mean a material increase in production of beef and veal in 1942 over 1941. This is desirable from the standpoint of both producers and consumers. The need for increased supplies for domestic consumption during the defense period is large, and consumer demand for meats in 1942 will be strong—probably the strongest in 20 years. Supplies of beef and veal for domestic consumption can be increased considerably, and the general level of cattle prices can be maintained at or above the levels of the current year.

The long-time position of the cattle industry will be greatly improved if the goal for slaughter is reached and numbers on farms and ranches do not increase much further in 1942 and later years. The number of cattle and calves on farms and ranches has been increasing since early 1938 and at the beginning of 1942 will be almost as large as the record high number reached in early 1934. The increase in numbers cannot continue indefinitely, but the longer it continues, the larger will be the increase in slaughter in later years. Checking the upward trend in cattle numbers next year will prevent a marked expansion in the slaughter of cattle and calves in years after 1942 when consumer demand may not be so strong. Under such conditions low prices for cattle undoubtedly would follow.

In recent months the spread between prices of lower and upper grades of



slaughter cattle has been much narrower than usual, and the spread between prices of feeder cattle and slaughter cattle also has been narrow. Prices of better grades of grain-fed cattle declined materially in the first half of 1941, the declines being especially pronounced for heavy-weight slaughter steers. Prices of feeder cattle and of slaughter cows and the lower grades of slaughter steers held up well in this period. The 1941 season was unprofitable for many cattle feeders, particularly feeders who fed cattle to heavy weights. Marketings of cattle for slaughter were about 10 percent greater in 1941 than in 1940. A considerable part of this increase was in marketings of grain-fed cattle, both steers and heifers.

**T**HE number of cattle fed for market in 1941 was the largest in many years. Estimated increases for the Corn Belt States over a year earlier were 11 percent on January 1, 16 percent on April 1, and 17 percent on August 1. In July and August of this year shipments of feeder cattle and calves into the Corn Belt were considerably smaller than a year earlier. This may reflect a later-than-usual movement of cattle from the western States, where range and feed conditions are the best in 20 years, rather than a prospective decrease in the number of cattle fed in the 1941-42 season.

Prices of feeder cattle this fall are \$1 to \$2 per 100 pounds higher than last fall, and prices of grains and byproduct feeds also are higher. Prices of the better kinds of feeder steers are nearly as high as prices of the better grades of slaughter cattle. Under these conditions favorable returns from cattle feeding in the coming season cannot be obtained without some advance in prices of fat cattle from the levels of August and early September. Unless the number of cattle fed for market in the 1941-42 season is materially smaller than in the 1940-41 season—and this does not now seem likely—the advance in

prices of better grades of grain-fed cattle in the coming year is expected to be moderate.

*The national goal for increased marketings of cattle and calves for slaughter in 1942 is not intended to indicate that a considerable expansion in the number of cattle fed for market in 1942 is desirable. This increase in slaughter can be obtained without an increase in marketings of grain-fed cattle, as many cattle and calves can be marketed in slaughter condition without grain feeding.*

**A**LTHOUGH the outlook for cattle feeders who buy cattle for feeding for the coming year is not as promising as it has been in some other years, for producers who raise their own cattle and who have ample supplies of feed and roughage the outlook for 1942 is distinctly favorable. The general level of cattle prices will continue higher than in most recent years, and with larger marketings the income from the sale of cattle will be the largest in many years. In addition, if the national goal for marketings and slaughter of cattle and calves is reached, the long-time outlook for the cattle industry will be improved by the removal of the probability of greatly increased marketings after 1942.

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**HOGS** *National goal for 1942 calls for the slaughter of 79.3 million hogs. This compares with 71 million slaughtered in 1941, and with 63.2 million average during the years 1936-40.*

**H**OG producers probably will market more hogs in 1942 than at any time in the last 15 years, and hog prices will be higher than in any of the last 4 years. Strong consumer demand for meats and lard in the United States and large Government purchases of pork and lard under the Lend-Lease Act will be the chief factors supporting hog prices. Cash income received by farmers from the sale of



hogs in 1942 probably will be the largest since 1929.

An increase of 13 percent or more in the number of pigs raised this fall over the number raised in the fall of 1940 is indicated by Government reports. The favorable hog-corn ratio in recent months along with the assurance by the Government that hog prices will be supported at remunerative levels through June 1943 probably will result in a substantial increase in the 1942 spring pig crop.

**A** considerable part of the expansion in hog production in the coming year probably will occur in the Western Corn Belt, where production was sharply curtailed by the droughts of 1934 and 1936. In 1941 the number of pigs raised in much of this region was still below the pre-drought average. Feed crop production in most of the Western Corn Belt this year is large, and in part of the region stocks of old corn are at record high levels.

The prospective increases in this year's fall pig crop and in next year's spring pig crop will mean that hog marketings in 1942 will be materially larger than in 1941. It is fairly certain that the 1942 goal for hog marketings and slaughter will be reached.

From early April through mid-September 1941 the Department of Agriculture purchased about 292 million pounds of pork and 208 million pounds of lard, chiefly for shipment to Great Britain. Further large purchases will be made. It has been roughly estimated that exports of pork and lard in 1942 will be equivalent to the products of about 12 million hogs. This is about 15 percent of the prospective total hog slaughter in the United States. Exports have not been so large in more than 15 years.

**T**HE 1939 pig crop was the largest on record. This was reflected in unusually large hog marketings in 1940. The large marketings and the small exports of pork and lard were accompanied by a low level of hog

prices in 1940. The average price received by farmers was only about \$5.35. The 1940 pig crop was 8 percent smaller than that of 1939, and this reduction has been reflected in a moderate decrease in the number of hogs marketed in 1941.

Average weights of hogs marketed this year have been considerably heavier than a year earlier, and the decrease in production of pork and lard has been small. Chiefly because of the improvement in consumer demand in this country and the large purchases of pork and lard for export, hog prices advanced materially in the first 9 months of 1941. In September, hog prices reached the highest level since 1937. For the entire year 1941 the average price received by farmers for hogs will be at least \$3 higher than the 1940 average.

Some seasonal decline in hog prices will occur this fall and early winter as marketings of 1941 spring pigs increase. But the increase in marketings from summer to early winter probably will be less than that of last year. With further increases in consumer incomes in prospect during the next several months, seasonal declines in hog prices this fall and in the late spring of next year are likely to be of moderate proportions.

**F**OR more than 10 years prior to 1941 the loss of export markets was a serious problem for hog producers. And in several recent years burdensome supplies of fats and oils depressed the price of lard to an unusually low level. For 1942 the situation is greatly changed. Exports of pork and lard will again absorb a substantial part of the domestic production. The strong demand for fats and oils along with reduced imports has resulted in material advance in lard prices. For the coming year and perhaps longer the demand for pork and lard for both domestic consumption and export will be better than at any time since the late 1920's.

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**SHEEP AND LAMBS** *National goal for 1942 calls for the slaughter of 22.9 million sheep and lambs. This compares with 22.4 million in 1941, and with 21.9 million average during the period 1936-40.*

**T**HE 1942 outlook for sheep and lambs is favorable, barring unfavorable weather conditions during the next 12 months. Marked improvement in domestic demand conditions were reflected in substantially higher prices for lambs this summer than a year earlier. Further increases in consumers' incomes and in the demand for meats, along with a fairly high level of wool prices, are in prospect for 1942. Lamb prices probably will average higher next year than in 1941. Range conditions have been unusually good this season, and sheep and lambs will begin the winter in best condition in several years.

The 1941 lamb crop totaled 34.5 million head. This was 5 percent more than the 1940 crop. It was the largest in 18 years of record. The increase over 1940 resulted from an increase of approximately 500,000 head in the number of breeding ewes on farms and ranches, and an average of about 3 more lambs saved per 100 ewes this year than last. Nearly two-thirds of the total increase was in the Western Sheep States, where weather conditions were very favorable at lambing time this year. Sheep production has increased sharply in Texas since 1920, and the lamb crop in that State accounted for about 15 percent of the total number of lambs raised this year.

Thus far in the 1941 spring lamb marketing season (since May), inspected slaughter of sheep and lambs has totaled about 5 percent larger than a year earlier. Because of the favorable range conditions this summer, the proportion of the Western lamb crop reaching slaughter condition before the end of the fall marketing season may be a little larger this year than last.

The number of lambs fattened on wheat pastures in Kansas, Oklahoma, and Colorado probably will be much larger this fall than last. Most of these lambs will be ready for market before the end of the year.

**N**O definite information is yet available as to the number of lambs that will be fed during the 1941-42 feeding season. However, the demand for feeder lambs is reported to be strong. Contracting of feeder lambs in the Range States for fall delivery has taken place in considerable volume during the past month or so at prices averaging around \$1 or more higher than a year earlier.

The number of lambs on feed in the United States on January 1, 1941—6 percent larger than a year earlier—was the largest on record. Returns from lamb-feeding operations were in the main favorable during the past season, partly because of the sharp advance in prices of fed lambs after early January. Since prospects are for further improvement in the demand for meats, lamb prices are expected to average higher next winter and spring than a year earlier, but they may not advance as sharply as they did in the first few months of 1941.

Total marketings of sheep and lambs during 1942 will depend chiefly upon the number of lambs from the 1941 crop remaining on farms at the end of this year and upon the size of the 1942 crop. Present indications point to a continuation of the moderate upward trend in the number of breeding ewes on farms next year, but the size of the 1942 crop will also depend to a considerable extent upon weather conditions at lambing time.

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**WOOL** *Cash income received by farmers and ranchers from the sale of wool in 1941 probably is the largest in 20 years. Present indications are that income in 1942 will be fully as large as, if not larger than, in 1941.*

**W**OOL production in 1941 was the largest on record. Shorn wool production totaled nearly 400 million pounds. Prices were the highest in more than a decade, chiefly the result of the marked increase in the quantity of wool used by manufacturers. Mill consumption of wool has been at record levels in recent months. Total mill consumption for the entire year 1941 will exceed 900 million pounds of apparel wool, grease basis. Mill consumption is expected to continue high in 1942.

A large part of the increase in the manufacture of wool has resulted from large purchases of wool goods for military use, but manufacture for civilian use also has been at a high rate. In the year ended June 30, 1941, total requirements for wool goods by all Government agencies called for approximately 244 million pounds of wool, grease basis. It is tentatively estimated that about 260 million pounds of wool will be required for Government orders in the year ending June 30, 1942.

**C**ONTINUATION of the current high level of mill consumption will be a strong supporting factor to prices of wool from the 1942 domestic clip. And, in view of the current and prospective large import requirements for apparel wool, wool prices in foreign markets and the ocean shipping situation also will be important factors affecting prices in the United States. Imports of apparel wool so far in 1941 have been the largest ever reported. General imports (entries for immediate consumption and into bonded warehouses) for commercial purposes totaled about 407 million pounds in the first half of 1941. The current rate of imports, however, is much smaller than in the first half of the year.

Total supplies of apparel wool now on hand in the United States, including 1941 domestic production, are considerably larger than at this time last year. But supplies are not large in relation to the current rate of mill

consumption. Since no additional supplies of domestic wool will be available for mill use much before June 1942, imports are likely to increase in the late fall and winter when the 1941-42 clip becomes available in the Southern Hemisphere.

**E**ARLY indications are that wool production in Argentina and Uruguay in the 1941-42 season will not differ greatly from that of last season. But the carry-over of wool into the new season was much smaller than in 1940 and total supplies available for export in 1941-42 will be smaller than they were last season. Supplies of wool available in Australia and the Union of South Africa in the 1941-42 season will be relatively large; this wool is under regulation of the British Wool Control as to destination and prices. Most of the apparel wool now entering international trade is produced in Southern Hemisphere countries.

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**FATS AND OILS** *Domestic requirements for fats in the 1941-42 crop year will be fully as large as they were in 1940-41 when domestic disappearance of primary fats and oils totaled approximately 10.5 billion pounds. In addition possibly 700 million pounds—mostly lard—will be exported, so that total requirements this season may be as much as 11.2 billion pounds.*

**P**RODUCTION of fats and oils from domestic materials in the year beginning July 1940 was about 9.1 billion pounds. Production in 1941-42 will be about 9.4 billion pounds, with increases in the output of lard, soybean oil, tallow, greases, linseed oil, fish oils, and corn oil more than offsetting decreases in the output of cottonseed oil and peanut oil.

Imports of approximately 1.8 billion pounds of vegetable oils and oilseeds (in terms of oil) probably will be needed in 1941-42 to bring supplies in

balance with requirements. With present restrictions on shipping facilities, and with the virtual loss of some foreign sources of supply, however, it is doubtful if imports will be greater than those of a year earlier when they totaled 1.6 billion pounds. Domestic production plus imports of fats in 1941-42 may be at least 200 million pounds short of requirements. The deficit probably will be taken from stocks, which fortunately are large. Stocks of primary fats and oils and oilseeds in terms of oil on July 1, 1941, totaled about 2.6 billion pounds.

**D**OMESTIC requirements for fats are likely to be greater in 1942-43 than in the present crop year. Increased livestock slaughter is in prospect, however, and this should add about 300 million pounds to our domestic output of fats. Moreover, if the recently announced acreage goals for oil crops in 1942 are attained, and average crop yields are realized, production of peanut oil and soybean oil in 1942-43 will be about 500 million pounds greater than in 1941-42. These increases should bring supplies about in line with probable requirements.

*It is expected that cotton acreage (cottonseed) in 1942 will be about the same as or slightly less than in 1941. The announced acreage goal for soybeans in 1942 is 7 million acres for beans, an increase of 18 percent over the estimated 5,918,000 acres to be harvested for beans in 1941. As for peanuts, the announced goal for 1942 is 3,500,000 acres to be picked and threshed, an increase of 83 percent over the estimated 1,908,000 acres to be picked and threshed this year. Of the total acreage of peanuts for 1942, the product of 1,600,000 acres would be "acreage allotment" or "quota" peanuts designed primarily for use of the edible trade, but part of this might be diverted to oil mills. The product from the remaining 1,900,000 acres would be sold to oil mills.*

*The 1942 goal for flaxseed acreage is the same as the acreage in 1941. Pro-*

*duction of flaxseed is already at a comparatively high level. Approximately 3.4 million acres were planted to flaxseed in 1941 compared with an average of 2.2 million acres for the preceding 5 years. Announcement of an acreage goal for castor beans in 1942 has been deferred pending further developments in the ocean shipping situation. Under normal conditions, castor beans produced in the United States cannot compete on a cost basis with beans produced in semitropical areas.*

**D**OMESTIC demand for fats and oils is now the strongest in more than 20 years. With rising national income, further improvement in demand well into 1942 is expected. This improvement, however, may not extend to all classes of fats. As a result of shortages of certain materials and possible difficulties in obtaining skilled workers, building activity and the demand for paint and varnish oils may be reduced in 1942-43.

In addition to growing strength in domestic demand for food and soap fats, substantial purchases of lard for shipment to the United Kingdom under the lease-lend program are in prospect.

The index number of prices for all fats and oils in August 1941, at 91 percent of the 1924-29 average, was 31 points (52 percent) higher than in August 1940 and 36 points (65 percent) higher than in August 1939. Prices for many items, such as cotton seed oil, soybean oil, and lard, were nearly twice as high in August this year than last. But the prices of butter and linseed oil were only about 30 percent higher.

**T**HE trend in prices for fats and oils, particularly for the food and soap fats, is likely to be upward during the remainder of 1941 and in 1942. But advances during this period may be less pronounced than they were in the first half of 1941, when there apparently was considerable buying



of finished foods for the purpose of expanding dealer and consumer inventories. Government action also may put a check on price advances.

Demand and prices for high protein feeds also may rise in the next few months. Increased prices for vegetable oils and oilseed meal are likely to be reflected in relatively high prices for domestic oilseeds, particularly cottonseed, soybeans, and peanuts, in the 1941-42 marketing season. Present indications are that prices for these oilseeds in 1942-43 will average at least as high as in the current season, even though the output of soybeans and peanuts is substantially increased.

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**WHEAT** *National goal for 1941-42 is 50 million to 55 million acres. This compares with 63.5 million acres seeded in 1940-41, and with 72 million acres average for 1936-40.*

**W**HHEAT prices in the United States in 1942-43 are expected to continue well above the export price level of other surplus-producing countries, with the Government loan program and the advancing general price level as the principal price-supporting influences. World wheat prices are expected to continue at low levels with world wheat supplies very large and trade restricted.

It is expected that wheat growers in the United States will seed about 55 million acres for the 1942 crop, or an acreage about equal to the national allotment. An acreage of this size would represent a reduction of 13 per cent from the 63.5 million acres seeded for the 1941 crop. It is not expected that seedings will exceed the allotment as they did in the last two years, because of the operation of marketing quotas, which are in effect for the first time this year; also, many wheat growers who have not seeded within their allotments will do so in order to avoid having excess wheat in 1942 and to receive conservation and parity payments. Moreover, many growers who

have penalty wheat in 1941 will probably reduce their acreage below their allotments in order to market such wheat in 1942 without penalty. Small growers, however, will be permitted to seed 15 acres without penalty instead of 10 acres, the former limit.

**I**F the total wheat seedings for harvest in 1942 turn out to be about 55 million acres, and the 20-year (1921-40) average yield per seeded acre of 11.8 bushels is obtained, production will total about 650 million bushels. This would be about 20 million bushels below probable domestic utilization, and the very large carry-over on July 1, 1942, forecast at about 640 million bushels, would be reduced by the end of the 1942-43 year by this quantity and by exports in 1942-43.

Each year the acreage allotment is adjusted so that with the prospective carry-over there will be enough wheat for normal domestic consumption, normal exports, and at least a 30-per cent reserve. Since the 55 million acre allotment minimum provided in the law is above the level necessary to provide this objective, above-normal reserves will continue a definite part of the United States wheat situation until the world situation again provides a considerably larger export market than at present or unless yields per acre should be materially below average. Under present world conditions an ample carry-over of wheat is advisable as security against unforeseen emergencies.

**W**HHEAT prices in the United States will continue well above world levels so long as the Government loan program continues at high levels. In the past several years of such loans, prices have been considerably below loan values during the months shortly before and after harvest, gradually rising until they approximated the loan rate. A sharp rise in the general price level and optimistic speculative sentiment in commodity markets this summer have brought an earlier



adjustment of prices to loan values for the 1941 crop.

It is too early to appraise the probabilities for the 1942 world wheat crop, but it now appears that the acreage, excluding the U. S. S. R. and China, will be slightly below that for 1940. The acreage in the United States will probably be reduced from the 63.5 million acres for the 1941 crop to about 55 million acres, and the area in Canada is expected to remain below the high level of 29 million acres reached in 1940. Some reduction may occur in the Southern Hemisphere, but the total acreage for other countries is not expected to change much.

A 5-percent reduction in world wheat acreage from the 1940 levels would mean an acreage of about 257 million acres. At the 15-year (1926-40) average yield per acre of 14.3 bushels, such an acreage would result in a crop of 3,675 million bushels. A crop of this size is less than probable world consumption in 1942 and would be expected to reduce the very large world stocks in prospect July 1, 1942. Stocks would be further reduced if hostilities should terminate and shipping to Europe should be resumed in 1942-43—a situation which would increase consumption from present low levels. World stocks July 1, 1942 will be a record size, however, and even though the 1942-43 consumption exceeds production, such reduction as may take place will still leave a very large carry-over July 1, 1943. With these large supplies in prospect, international wheat prices are expected to remain at low levels. (References to world stocks, acreages, and production exclude the U. S. S. R. and China.)

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**COTTON** *National goal for 1942 is 22 to 24 million acres. This compares with 23.5 million acres planted in 1941, and with 27.9 million average for 1936-40.*

**C**OTTON farmers now marketing their 1941 crop are getting highest prices in more than a decade. Important factors in this situation include the 85 percent of parity Government loan rate, heavy domestic consumer and industrial purchases accompanying the Nation's defense program, and large direct Government purchases both of cotton textiles and of goods competing with cottonseed products. The smaller-than-average crop and the relatively small proportion of the crop being marketed are also important. A contributing factor is the rising general commodity price level. These price strengthening developments have much more than offset the adverse price effects of the loss of a large part of the cotton export market.

The outlook for domestic cotton consumption is exceptionally favorable this season, since industrial activity and employment are expected to continue high and direct Government purchases of cotton textiles will probably be large. The annual rate of consumption in late summer was over 10½ million bales. Domestic manufacturers' unfilled orders are reported as exceptionally large. Orders would have been larger had manufacturers despite the uncertainty as to future production costs, been willing to book more of them for delivery during the last half of the season.

The quantity of cotton used for mattress making by low-income families and the quantity used by the automotive and tire industries will probably be smaller this season than last. Total domestic consumption for all uses, however, is expected to aggregate and well may exceed 10½ million bales—especially if important quantities of cotton textiles should be needed to replace imported jute manufactures, or for lend-lease export. Domestic consumption last season totaled nearly 9½ million bales, or almost 2 million more than in the preceding season and 1¼ million bales above the previous

record high in 1936-37. Consumption last season included about 400,000 bales distributed under the Government's mattress program.

The outlook for exports of cotton will remain unfavorable as long as a large portion of the world's spindles continue under Axis control and so many spindles in other countries are idle because of various conditions resulting from the European and Asiatic wars. United States exports last season totaled only 1.1 million bales. It is unlikely that exports will materially exceed this figure during the current season.

Total domestic disappearance of cotton (consumption plus exports) no doubt will be smaller than average again this season despite the prospects for exceptionally large consumption. Nevertheless, domestic disappearance is expected to exceed the size of the current crop, now estimated at 10½ million running bales. This would reduce the carry-over somewhat. Even so, the carry-over on August 1, 1942, will be exceptionally large. A large part of the stocks on that date will be either owned or held as collateral against loans by the Government. Last August the carry-over was more than 12 million bales, second only to the high record carry-over of 13 million bales in 1939. The domestic supply this season is only slightly less than the 23-million bale supply (production plus carry-over) of last season.

Gross farm returns from the 1941 cotton crop as now estimated may equal or exceed 1 billion dollars for the first time since 1929.

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**TOBACCO** *National goals for 1942 call for a small increase in acreage of flue-cured tobacco, a slight decrease in Burley, and a small decrease in the total of other domestic tobacco.*

**E**VENTS of the last year have materially improved the tobacco outlook for 1942. Domestic leaf demand and current use of tobacco products in general and cigarettes in particular—have increased markedly. Normal commercial exports last year decreased to the lowest levels since the Civil War period. These exports will remain small so long as hostilities in Europe and the Far East continue. However, the flow of lend-lease exports is expected to move substantial quantities of tobacco owned or controlled by the Commodity Credit Corporation. Dark tobaccos were in an especially weak market situation last year, but now have slightly better prospects, largely because of the smaller 1941 crops resulting from the sharp reduction in marketing quotas approved by growers last year. Cigar-smoking is showing its usual cyclical increase based on larger national income. The moderate increases this year in supplies of some cigar types of tobacco are not regarded as unfavorable.

**A**SIDE from lend-lease shipments, exports next year are expected to continue at a low level. The closing of almost all continental European markets affects particularly the export of dark tobaccos and, to a smaller extent, Maryland leaf. Exports to the Far East will continue to be determined largely by political developments there. China, the most important market for tobacco in the Orient and normally the second most important outlet for American flue-cured, will probably continue to import on the reduced scale of last year.

The only new development in the export situation—lend-lease shipments to the United Kingdom and other nations of the British Commonwealth and their colonies—is expected to result in the export of substantial quantities of flue-cured owned or controlled by the Commodity Credit

Corporation, and of minor quantities of similarly placed dark tobacco. The bulk of these exports will be of 1939 and 1940 crop tobacco. Little 1941-crop tobacco will be exported to these countries. Hence, increases in total exports next year will not imply a resumption of normal shipments. Exports to the United Kingdom will be largely to meet current manufacturing requirements.

Indications are that increased wartime consumption in the United Kingdom and reduced imports have resulted in great reductions in British stocks. British stocks of American leaf are relatively small as compared with stocks of Empire leaf, resulting in a particularly pressing need for American flue-cured. United States export data by countries are no longer being released, so it is not possible to appraise current export movements with any exactitude.

**S**OME concern has been expressed as to the ability to continue normal United States imports of tobacco. Imports from some countries producing Oriental leaf used in popular cigarette blends have been cut off. Transportation difficulties may not interfere with shipments from other producing areas, unless the spread of the war should close some of these areas to American trade. However, the United States stocks of these types on July 1 were about equal to a 2-year supply at the present rate of consumption, and it is likely that domestic manufacturers will conserve this supply. Stocks of foreign-grown cigar leaf types are larger than normal. Bars to normal trade are more likely to arise in the case of imports from Sumatra and the Philippines than from Cuba.

**D**OMESTIC consumption of tobacco reached exceptionally high levels this year, and some slowing down of the recent rates of increase is anticipated. Cigarette withdrawals should reach a new high record, but

the increase will probably be less spectacular than the yearly increases from 1938 to the present. Cigar smoking, already greater than in any of the last 10 years, should show a definite but small percentage gain as a result of larger consumer income. Manufactured tobacco products as a whole should hold their own, with increases in some groups probably compensated by declines in the use of plug chewing tobacco.

**Flue-Cured Tobacco** is largely affected by the export situation and the domestic consumption of cigarettes. Despite the loss of normal export markets, the combination of production control and increased domestic demand has served greatly to strengthen market prices. This year was the second in succession in which marketing quotas were in effect, and the first under a 3-year adjustment program approved by growers in July 1940. Unusually poor growing conditions also contributed to a reduction in the current crop. Plantings next year probably will be about the same as in 1941, and prices should remain substantially above the low levels of 1939 and 1940, since increases are expected in the domestic consumption of flue-cured. The value of the crop will probably be maintained or increased above the level attained this year.

With prospects for a smaller Burley crop of better quality than the unusually poor crop last year, Burley markets probably will operate under more normal price conditions. Growers in 1942 again will operate under marketing quotas. In the absence of unusually heavy yields, Burley markets should continue to be stronger next year than for the last 2 years.

**Fire-Cured and Dark Air-Cured** markets continue in an unfavorable position because of the closing of continental European markets and the failure of domestic demand to improve. Despite much smaller plantings under marketing quotas, supplies will remain on a very high level.

Maryland tobacco should continue to present a favorable picture. High prices this year indicate that the loss of European markets has been more than compensated for by increased domestic demand. With continued increases in cigarette consumption and probable extension of new uses, the outlook for Maryland tobacco is definitely bright. The 1942 outlook for Cigar Types is good, since present production indications and consumption forecasts point to some reduction in the carry-over next year.

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**FRUITS** *National goal for 1942: Since fruit production cannot be quickly increased, emphasis will be on better distribution and prevention of waste.*

**F**RUIT producers may expect the most favorable demand situation for their output in 1942 that has prevailed for more than a decade. Consumer purchasing power is expected to continue to increase and the present prospect is for a considerable expansion in the export outlet resulting from the lend-lease program. As a general rule the total income from fruit production is affected very little by changes in the volume of output, but is directly affected by changes in the capacity of consumers to buy.

It is probable that costs of production and marketing will increase somewhat, but it is likely that the increase in demand will result in price levels sufficiently above those of recent years to more than cover the increased costs. It is not likely, of course, that all important fruit crops and all growers will share alike in the improved situation but the fruit industry as a whole faces a very favorable prospect.

**P**ROBABILITIES are that the total tonnage of the nation's fruit crop in 1942 will be about the same as in 1941. A generally smaller output of deciduous fruits probably will be offset by a larger production of citrus. On

the basis of the trend in bearing tree numbers, alternate bearing characteristics, and good care of orchards, normal growing conditions in 1942 would result in a smaller production of apples, peaches, pears, and plums and prunes, but a larger output of apricots, cherries, grapes, strawberries, oranges, grapefruit and lemons than in 1941.

Production in 1941 may be considered as being relatively large. The output of 8 important deciduous fruits combined being about 12 percent larger than in 1940 and 10 percent above the 10-year (1930-39) average. The combined production of all citrus fruits from the bloom of 1941 probably will be slightly smaller than in the previous season but well above the 10-year average. In the case of the 4 major tree nuts, the combined output in 1941 is indicated to be about 11 percent above 1940 and 21 percent above the 10-year average.

**D**URING the 1940 fruit season, the exports of fresh, canned, and dried fruits were reduced to very low levels as a result of the war in Europe. But the prospects for the 1941 season are that exports of canned and dried fruits will show a substantial increase under the lend-lease program. Because of the unfavorable export situation in the 1940 season, considerable quantities of fresh and processed fruits were purchased by the Government for relief distribution. Purchases for export are being made and probably more will be made in 1942.

This increased market outlet together with the increasing domestic demand for all kinds of fruits and fruit products emphasizes the need for conserving supplies and for making the most efficient use of the Nation's output in 1942. Although not much can be done from a short-time standpoint to increase fruit crop production, it now appears that every effort should be made to prevent wastes and to provide for the most economical use of the output of next season. In this connection the Department of Agri-



culture in its national and regional program for 1942 has given considerable attention to the utilization of the 1942 fruit crop.

**A**LTHOUGH production of the various fruit crops changes from year to year as a result of weather conditions and, in the case of some deciduous fruits, because of alternate bearing characteristics, there are some long-time changes brought about by changes in the number of bearing trees. In general the long-time outlook is for a continued decline in the production of apples and in prunes for drying but for a further slight expansion in the output of citrus, peaches, pears, cherries, plums and fresh prunes, and grapes.

There has been very little new planting of apple trees and unfavorable weather in several regions in recent years has killed many bearing trees. There has been some pulling of apple trees in unfavorable locations. As for most of the other fruits mentioned, there has been very little new planting recently but the bearing surface of large numbers of comparatively young trees is still expanding. Fruit production in general, therefore, may be expected to continue to increase at a moderate rate during the next several years. This prospective increase is a continuation of the trend of the last two decades.

Under pressure of increasing supplies fruit prices have not recovered as much as other agricultural prices from the depression lows, and the prices of fruits with the largest production increase have shown the smallest gains. Because of the sharp gains in demand in 1941, it is probable that fruit prices for the current season will show considerable advances.

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**VEGETABLES** *Producers of vegetables in general may expect to receive higher prices and incomes in 1942. Increased plantings*

*of most of these foods are in prospect, and, if yields average close to those of 1941, production will be somewhat larger. It is expected, however, that demand will rise sufficiently to more than offset the effect of the larger supplies on prices.*

**A**CREAGES of potatoes, sweetpotatoes and truck crops (both for market and for processing), may be increased slightly in 1942. The national goals call for an increase of nearly 5 percent in plantings of potatoes, an increase of 1 percent in sweetpotatoes, about 5 percent in truck crops for market, and 1 percent in the acreage of truck crops for processing. Since the supply situation for 1941 with respect to these crops is not yet fully determined, the 1942 goals now indicated are tentative and may be changed later, especially the goals for truck crops for processing.

The total potato acreage probably will be increased slightly in 1942 over the relatively small acreage planted in 1941. Increases are expected in the commercial early areas and in the late States, but the acreage planted in the intermediate areas may be decreased slightly. Yields equal to the average of recent years on the 3,060,000 acres suggested as a national goal would result in a crop of about 375 million bushels or about the same as the 374 million bushels indicated for 1941. Barring unfavorable growing conditions in the early States next spring, the production of early potatoes probably will be increased somewhat over that of 1941 and will offset in part the reduction in prospective supplies of stored 1941-crop late potatoes.

A further slight expansion of plantings of sweetpotatoes is in prospect in 1942. The national goal calls for about 850,000 acres which, with yields equal to the average of recent years, would result in a crop totaling 72.5 million bushels. This crop would be slightly smaller than the indicated 1941 production of 74 million.



**T**HE acreage of commercial truck crops for fresh market shipment in 1942 probably will be increased as much as 5 percent over the acreage for harvest in 1941. An attempt was made to increase the acreage in 1941 but unfavorable weather during most of the spring months resulted in considerable acreage losses as well as reduced yields. It is likely that producers of the winter and spring vegetables will make another effort to increase output during the coming season, particularly since prices received for many truck crops in 1941 have averaged somewhat higher than in several years past. Moreover a substantial rise in demand for all kinds of vegetables is in prospect.

**A**CREAGES and production of truck crops for processing are expected to be increased slightly in 1942. The current season marked the second year in the upturn of a "cycle" which usually includes 3 years of increasing acreage followed by 2 years of decline. The length of this "cycle" may be changed, however, by unusual weather conditions and sharp changes in general demand, through their effect or upon the carry-over situation.

On the basis of early prospects, the supply and demand situation with respect to most seasonally canned vegetables in 1941 is such that a slight increase in the output of all processing crops except beets and sweet corn in 1942 would be desirable. The 1941 output of seasonally canned vegetables probably will be relatively large but the substantial improvement in demand conditions probably will result in increased consumption at a moderately higher level of prices.

It is probable that both production and marketing costs of all of the vegetable crops will be increased during the coming year. These costs include labor and other production items, some types of containers and some marketing charges. Higher costs are likely to be important factors in the

production program for 1942, and may possibly result in restricting acreage expansion to some extent. It is likely that increased demand for vegetables in general will offset these added costs.

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**DRY BEANS** *The national acreage goal for dry edible beans for 1942 is tentatively set at about the same as the 2.1 million acres planted in 1941. Acreage in 1936-40 averaged 1.9 million.*

**T**HE national acreage goal for dry edible beans for 1942 was determined on the basis of a production in 1941 indicated to total 18.7 million bags plus a carry-over stock of approximately 3.3 million bags. Dry weather in Michigan and New York reduced 1941 prospects sharply during August. As a result the domestic crop as of September 1 was indicated at only 17.5 million bags. This reduction from earlier indications of supplies for 1941, probably will necessitate larger plantings in 1942 than the tentative goal, because the carry-over into 1942 probably will be substantially smaller than had been expected when the 1942 goal was set.

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**POULTRY PRODUCTS** *National production goal for 1942 calls for 4.0 billion dozen eggs. This compares with 3.7 billion dozen probable production in 1941, and 3.4 billion average for 1936-40. Goals include 750 million farm chickens to be marketed in 1942, compared with 680 million in 1941, and 644 million in 1936-40.*

**P**RODUCTION of poultry products in the United States in 1942 is expected to be the largest on record. The basis for a material increase in egg production for 1942 was established with the 14 percent increase in number of chickens raised on farms this year over last. Chicken production has

fluctuated in fairly regular 3-year cycles during the past 10 or 15 years, increasing 2 years following a decline. This year marked the upturn of the cycle and with chicken and egg prices supported at not less than 85 percent of parity a further increase of several percent in 1942 is very probable. In fact, it is likely that the desired production of both chickens and eggs in 1942 will be attained. Turkey raising this year is more profitable than in several years. As a result a further increase in turkey production in 1942 also is in prospect.

The effects on prices of the prospective larger supplies are expected to be more than offset by a stronger consumer demand and by the Government purchasing and price supporting programs. Although the Government will buy a relatively larger quantity of eggs than of chickens, prices received by farmers for both chickens and eggs in 1942 are expected to average higher than in 1941. The demand for chickens is more elastic than the demand for eggs. The demand for turkey, also relatively elastic, is expected to be sufficiently strong next year to more than offset the prospective increase in slaughter. Cash farm income from poultry products in 1942 will probably be the largest in history. Farmers' costs will be higher than in 1941 but may not increase as much as income.

**A**BOUT 787 million chickens were raised on farms this year, 14 percent more than in 1940. Increases over 1940 occurred in all parts of the country but were most marked in the West North Central and South Central regions. These areas recovered a large part of the setback in numbers caused by the droughts in the middle 1930's. The slaughter of farm-produced chickens this year is expected to be about 680 million head. In addition the commercial broiler industry will supply at least 150 million birds and the nonfarm production of chickens will add another 50 to 60 million.

Total slaughter of chickens this year will be the largest on record.

The composition of this year's slaughter supply of farm chickens is much different from last year's, however. Reflecting the record production of young chickens and restricted marketings of fowls the proportion of young chickens in the total is much larger this year than last. This condition was reflected in the storage situation shortly after the fall marketings began. On September 1 storage stocks of chickens were about twice as large as on September 1, 1940 and stocks of fowls were about 15 percent smaller.

**A**S a result of the very large late hatch in 1941, heavy marketings are expected well into 1942. In addition the commercial broiler output early next year probably will be materially larger than it was in the first part of 1941. Prospective feeding ratios indicate that, with sufficient expansion in the number of chickens raised supplemented by the increased slaughter of fowls next year, the national goal of 750 million birds slaughtered from farm chicken production will be attained. With an even greater increase in commercial broiler output in prospect, per capita supplies of chickens next year will be much higher than any previous record.

The average price received by farmers for chickens in 1941 will average materially higher than in 1940. Because of the prospective further improvement in consumer demand for 1942, chicken prices received by farmers next year may average higher than in 1941. The increase over a year earlier may be less marked for 1942 than for this year, however, since the record supplies of chicken meat will be supplemented by record supplies of other meats (beef, pork, and lamb). Cash farm income from chickens in 1942 is expected to be materially higher than in 1941, and the total including income from commercial broilers will be the largest on record.

**E**GG production on farms in 1941 will be about 3.5 percent larger than in 1940. The year began with nearly 3 percent fewer layers on farms than a year earlier. But with more favorable weather in the first 3 months and a much more favorable feed-egg ratio beginning in April, a record high rate of lay was maintained. In addition, as a result of high egg prices and special work by extension workers and others, more old hens were held back for egg production. The decline in layers from May to August was much less this year than last and number of layers will increase rapidly as this year's pullets come into production. By early 1942 an increase in layers of about 10 percent is expected compared with early 1941. A considerable number of pullets from this year's record late hatch will be available for flock replacements or additions in the early months of next year.

The high proportion of pullets in next year's laying flocks and the prospective favorable feeding ratios may result in a further increase in the average rate of lay also. Thus the national goal for egg production in 1942 (about 4 billion dozens including the nonfarm output) very likely will be attained. The goal for 1942 is about 10 percent larger than the probable 1941 output and on a per capita basis next year's production will be by far the largest on record. Although the Department of Agriculture will purchase considerable quantities of eggs in 1942 for export under the lend-lease authority the domestic per capita supplies will be about as large as the average for recent years.

**W**ITH a stronger consumer demand in prospect for 1942 plus prospective Government purchases, egg prices next year probably will average higher than in 1941. The general level of prices for next year, however, may not be greatly different from the level in the closing months of

1941. Cash farm income from eggs in 1942 will be materially larger than in 1941 and may be the largest on record.

The number of layers for 1943 will be larger than in 1942 if the increase in chicken production materializes. Egg production in 1943 probably would increase correspondingly. In such an event a much stronger consumer demand and larger Government purchases might be needed to prevent low egg prices after 1942.

**T**URKEY production for 1941 is now indicated to be about the same as in 1940. This year's slaughter therefore will be a little smaller than in 1940. Fewer turkeys were carried over from last year for marketing in early 1941. More will be carried over into 1942 because of the large late hatch and the increase in layers for hatching. Turkey prices for 1941 will average materially higher than in 1940. This probably will lead to further expansion in turkey production next year.

#### Index Numbers of Prices Received and Paid by Farmers

[1910-14=100]

| Year and month | Prices received | Prices paid | Buying power of farm products <sup>1</sup> |
|----------------|-----------------|-------------|--|
| 1940           |                 |             |  |
| July.....      | 95              | 122         | 78   |
| August.....    | 96              | 122         | 79   |
| September..... | 97              | 122         | 80   |
| October.....   | 99              | 122         | 81   |
| November.....  | 99              | 122         | 81   |
| December.....  | 101             | 123         | 82   |
| 1941           |                 |             |  |
| January.....   | 104             | 123         | 85   |
| February.....  | 103             | 123         | 84   |
| March.....     | 103             | 124         | 83   |
| April.....     | 110             | 124         | 89   |
| May.....       | 112             | 125         | 90   |
| June.....      | 118             | 128         | 92   |
| July.....      | 125             | 129         | 97   |
| Aug.....       | 131             | 131         | 100  |
| Sept.....      | 139             | 133         | 105  |

<sup>1</sup> Ratio of prices received to prices paid.

## Farm Products: Producer to Consumer

### V. Wholesaling and Retailing

**D**ISTRIBUTION of farm products is vastly more complex, specialized, and extensive today than it was a century or more ago when the general store had practically a monopoly of retail trade in every community and business was often done on a barter basis. Since then there have been almost unbelievable economic, technological, and social changes. But while great advances have been made in reducing wholesaling and retailing costs, these have not always resulted in the most efficient marketing facilities and services. This is not altogether surprising, since the period was one in which a relatively small population increased to approximately 130 million people, consumer markets and producing areas became widely dispersed, production areas became specialized and densely populated city areas were developed. There were unforeseen changes in transportation, refrigeration and food processing. There were far-reaching technological developments, consumer eating habits changed, advertising in all its varieties took its place as a powerful selling force, and diversified types of wholesaling and retailing developed to meet ever-changing conditions.

When it is considered that the distributive system in the United States developed without particular coordination or planning, except, perhaps, the test of whether a marketing agency performed a service for which someone was willing to pay, it is remarkable that the present state of relative efficiency of wholesaling and retailing has been attained. However, much remains to be done in the field of distribution to improve physical facilities, methods, and procedures and thereby reduce the total marketing bill for farm products.

**A**LTHOUGH certain types of wholesalers have lost the dominant position they held before large-scale food retailing developed in the United States and nationally advertised food products became important enough to warrant the establishment of sales branches, wholesalers of farm products in 1939 still played an essential and important part in distribution. This is shown by the Bureau of Census data summarized in table 1.

Wholesalers of "farm products—raw materials and consumer goods" and of "groceries and foods (specialty lines)" had greater sales in 1939 than in 1935 even though the general price level was lower and fewer establishments were operated. Operating expenses also were higher in 1939 than in the earlier period. In each of these three lines of business the ratio of pay roll expense to sales was higher in 1939 than in 1935. Other important kinds of wholesale business listed in table 1 also had higher operating expenses than in 1935 and in most cases where this was the case total pay-roll expense also was higher.

One of the important classes of wholesalers handling farm products is "assemblers (mainly farm products)" comprised largely of buyers in country markets. This group has shown an increase in both number of establishments and sales volume as compared with 1935. Operating expense in 1939 also was greater in terms of percent of sales than in 1935.

The large sales volume of "groceries and foods (specialty lines)" by manufacturers' sales branches (with stocks) may be attributed to the importance of national brands in the food field and to the intense competition that exists between manufacturers of highly advertised food products for retailer loyalty and consumer demand, and the desire to protect the quality of the

**Table 1.—Number of Establishments, Sales and Operating Expense Percentages for Selected Kinds of Wholesale Business in the United States, 1939**

| Kind of business                               | Establishments | Percentage of total | Sales         | Percentage of total | Operating expense (including pay roll), percentage of sales |
|--|----------------|---------------------|---------------|---------------------|---|
|  | Number         | Percent             | 1,000 dollars | Percent             | Percent   |
| United States total wholesale trade.....       | 200, 573       | 100. 0              | 55, 265, 640  | 100. 0              | 10. 0   |
| Service and limited-function wholesalers:      |                |                     |               |                     |   |
| Farm products—raw materials.....               | 2, 086         | 1. 0                | 1, 628, 706   | 2. 9                | 6. 9  |
| Farm products—consumer goods.....              | 10, 945        | 5. 5                | 2, 110, 766   | 3. 8                | 13. 0   |
| Groceries (general line).....                  | 3, 942         | 2. 0                | 2, 185, 736   | 4. 0                | 9. 5  |
| Groceries and foods (specialty lines).....     | 12, 045        | 6. 0                | 1, 892, 033   | 3. 4                | 14. 1   |
| Tobacco and products (except leaf).....        | 2, 717         | 1. 4                | 1, 106, 215   | 2. 0                | 4. 9  |
| Manufacturers' sales branches (with stocks):   |                |                     |               |                     |   |
| Farm products—consumer goods.....              | 610            | . 3                 | 199, 200      | . 4                 | 17. 2   |
| Groceries and foods (specialty lines).....     | 2, 592         | 1. 3                | 2, 333, 306   | 4. 2                | 11. 1   |
| Tobacco and products (except leaf).....        | 44             | . 02                | 446, 489      | . 8                 | 13. 9   |
| Manufacturers' sales offices (without stocks): |                |                     |               |                     |   |
| Farm products—consumer goods.....              | 75             | . 04                | 21, 682       | . 04                | 10. 2   |
| Groceries and foods (specialty lines).....     | 810            | . 4                 | 346, 375      | . 6                 | 17. 5   |
| Tobacco and products (except leaf).....        | 136            | . 1                 | 279, 863      | . 5                 | 1. 1  |
| Agents and brokers:                            |                |                     |               |                     |   |
| Farm products—raw materials.....               | 3, 091         | 1. 5                | 2, 960, 657   | 5. 4                | 1. 7  |
| Farm products—consumer goods.....              | 1, 287         | . 6                 | 731, 026      | 1. 3                | 3. 7  |
| Groceries and foods (specialty lines).....     | 2, 729         | 1. 4                | 2, 085, 424   | 3. 8                | 1. 8  |
| Tobacco and products (except leaf).....        | 25             | . 01                | 16, 135       | . 03                | 3. 6  |
| Assemblers (mainly farm products):             |                |                     |               |                     |   |
| Farm products—raw materials.....               | 15, 639        | 7. 8                | 1, 809, 317   | 3. 3                | 4. 8  |
| Farm products—consumer goods.....              | 12, 132        | 6. 0                | 1, 148, 158   | 2. 1                | 12. 5   |
| Groceries and foods (specialty lines).....     | 819            | . 4                 | 92, 618       | . 2                 | 18. 7   |

U. S. Department of Commerce, Bureau of the Census. "Wholesale Trade: 1939, United States Summary," dated Mar. 31, 1941, table 1, Selected items, pp. 6-19.

product, particularly if highly perishable, on its way to the consumer. These wholesale branches are performing marketing functions that formerly were largely performed by the independent wholesalers. To counteract this trend many wholesalers have adopted private brands and now push them aggressively.

**T**HE 1,770,355 retail stores in the United States in 1939 reported total sales of \$42,039,138,000 in 1939. Approximately 32 percent or somewhat over a half million of the stores were retail food outlets, or 1 store for each 235 persons. These stores accounted for one-fourth of total retail sales, or average yearly sales for each person of \$77. There were 516,976 proprietors of unincorporated retail food outlets, and employees for the food group numbered 798,462 with a total pay roll of \$760,762,000. Furthermore, 169,792 "eating places" had sales in 1939 of \$2,135,020,000, and

employed 594,648 persons with a pay roll of \$405,896,000. Many other retail outlets handle farm products, both food and nonfood, such as general stores, drug stores, drinking places, hay, grain and feed stores and the numerous outlets handling merchandise which originated in unprocessed state on farm or ranch, as for example, textile products, tobacco products, and others.

**T**HE last decade has brought into existence complete food markets engaged in the mass distribution of food products on a scale heretofore thought impossible. This development is shown by the increase since 1929 in sales volume of "combination stores (groceries-meats)" and the decrease in sales volume of "grocery stores (without fresh meats)" (table 2). Most of the other types of retail outlets in the food group also show decreased sales volume since 1929.



Largely responsible for the widespread adoption of large-scale limited-service complete food markets was the super market method of food retailing—one of the outstanding developments in food distribution in recent years. Super markets originated on the Pacific Coast and in the Southwest. It is estimated that there were not more than 300 of these markets (all independent) in 1932. The super market idea was first adopted for the economical mass merchandising of food products during the depression. In the beginning stores were usually located in warehouses or factory buildings with the cheapest possible fixtures. Low price was the primary appeal to attract customers. Today, the super market usually is located in an attractive building with modern efficient equipment. Some of the factors that enter into the lower cost of operation of the super market are self service, heavy customer traffic, larger average sale per customer, wide variety of

merchandise, mass display of merchandise, high sales volume, and effective use of the price appeal.

The super market has had a rapid increase in sales as is evidenced by estimates of total sales of 100 to 150 million dollars in 1932, 500 million in 1936, and 1.5 billion dollars in 1939. Numerically, stores are estimated to have increased from 300 in 1932 to 1,200 located in 32 States in 1936, and to 4,982 located in 48 States in 1939. It is further estimated that in 1940 there were 7,980 super markets (5,301 independent and 2,679 corporate chain) with sales of approximately 2 billion dollars. Corporate chains did not adopt the super market method of merchandising until its effectiveness was apparent. The important corporate grocery chains began opening super markets rapidly from 1938 on, and at the same time certain neighborhood units were closed. This is reflected in the fact that corporate chain "combination stores (groceries and meats)" showed approximately

Table 2.—Number of Stores and Sales for Selected Kinds of Retail Business in the United States, 1929, 1935, and 1939

| Kind of business   | Stores              |  |                     |                     | Sales                        |   |                              |                              |
|--|---------------------|--|---------------------|---------------------|------------------------------|---|------------------------------|------------------------------|
|  | 1939                | Percent-<br>age of all<br>stores for<br>1939 | 1935                | 1929                | 1939                         | Percent-<br>age of<br>total re-<br>tail sales<br>for 1939 | 1935                         | 1929                         |
|  | Number<br>1,770,355 | Percent<br>100.0                             | Number<br>1,587,718 | Number<br>1,476,365 | Million<br>dollars<br>42,039 | Percent<br>100.0  | Million<br>dollars<br>32,791 | Million<br>dollars<br>48,330 |
| Total United States retail stores.                                     |                     |  |                     |                     |                              |   |                              |                              |
| Food group.....  | 560,549             | 31.7   | 532,010             | 481,891             | 10,165                       | 24.2  | 8,362                        | 10,837                       |
| Grocery stores (without<br>fresh meats).....                           | 200,303             | 11.3   | 188,738             | 191,876             | 2,225                        | 5.3   | 2,203                        | 3,449                        |
| Combination stores (gro-<br>ceries-meats).....                         | 187,034             | 10.5   | 166,233             | 115,549             | 5,496                        | 13.1  | 4,150                        | 3,904                        |
| Dairy products stores, milk<br>dealers.....                            | 16,834              | 1.0  | 16,380              | 8,478               | 740                          | 1.8   | 576                          | 727                          |
| Meat markets, fish markets<br>Candy, nut, confectionery<br>stores..... | 42,360              | 2.4  | 39,474              | 49,865              | 751                          | 1.8   | 612                          | 1,337                        |
| Fruit stores, vegetable<br>markets.....                                | 48,015              | 2.7  | 55,197              | 63,265              | 295                          | .7  | 314                          | 572                          |
| Other food stores.....   | 27,666              | 1.6  | 32,632              | 22,904              | 222                          | .5  | 216                          | 308                          |
| General stores (with food).....  | 38,337              | 2.2  | 33,356              | 29,954              | 435                          | 1.0   | 291                          | 541                          |
| Eating places.....   | 39,688              | 2.2  | 66,701              | 104,089             | 810                          | 1.9   | 1,110                        | 2,571                        |
| Hay, grain, and feed stores.....                                       | 169,792             | 9.6  | 153,468             | 134,293             | 2,135                        | 5.1   | 1,667                        | 2,125                        |
| Cigar stores, cigar stands.....  | 16,772              | .9   | 11,132              | 21,394              | 624                          | 1.5   | 347                          | 991                          |
|  | 18,504              | 1.0  | 15,350              | 33,248              | 208                          | .5  | 183                          | 410                          |

U. S. Department of Commerce, Bureau of the Census. "Retail Trade—the United States—1939, Employment, Pay Roll and Inventory," dated Feb. 14, 1941, p. 6.

5,000 fewer stores in 1939 than in 1935 and average sales per store increased from \$63,440 in 1935 to \$104,265 in 1939.

**T**HE aggressive competition of large-scale limited-service retail food outlets has placed the small-volume retailer, of which there are many, in a difficult competitive position. The 1935 Census of Business shows that of 166,120 independent "grocery stores (without fresh meats)" 57.9 percent had a sales volume of less than \$5,000 a year and the same was true of 25.2 percent of the 140,626 independent "combination stores (groceries-meats)." The servicing of small-volume stores by wholesalers is often uneconomic and increases distribution costs. Likewise, the factor of duplication of services and facilities, and the heavy failure rate in the low-volume retail food stores also increase marketing costs.

Cooperative and voluntary chains were organized by progressive independent food retailers and wholesale houses to counteract the rapid strides the corporate grocery chains were making after the first World War. Since that time they have shown a marked growth in number and in sales volume. It is estimated that at the beginning of 1930 there were 395 cooperative and voluntary chains combined, with 53,419 member retail stores. In June 1941, however, it is estimated there were 135 cooperative grocery chains with 25,600 retail member stores and 865 voluntary chains with 110,000 retail member stores. An important part of the merchandising plan of many of these voluntary and cooperative grocery chains is to develop their own private brands or family of products to compete with national brands and certain of the well known corporate chain brands.

Census data appear to indicate that the period of rapid corporate grocery

chain growth has ended and that the independent grocers as a group are slowly improving their relative position with respect to total grocery store sales volume. In the case of "grocery stores (without fresh meats)" the proportions of total sales for independents were 53.6, 61.3, and 67.0 percent for 1929, 1935, and 1939, respectively, and for the corporate chain the proportions were 45.7, 38.3, and 32.4 percent for the same years, respectively. Of total sales for "combination stores (groceries-meats)" independents accounted for 67.6, 60.7, and 61.3 percent for 1929, 1935, and 1939, respectively, and for the same years corporate chain percentages were 32.2, 39.1, and 38.4, respectively.

**A** SIGNIFICANT and important development during the last 20 years is the number of Federal and State laws enacted that affect wholesalers and retailers of farm products. Some of the more recent laws are: (1) The Federal Produce Agency Act (1927); (2) the Perishable Agricultural Commodities Act (1930); (3) the Commodities Exchange Act (1936); (4) the Robinson-Patman Anti-discrimination Act (1936); (5) the Agricultural Marketing Agreement Act (1937); (6) the Miller-Tydings Act (1937); (7) the Wheeler-Lea Act (1938); (8) the Food, Drug, and Cosmetic Act (1938); (9) the Wool Products Labeling Act (1940); (10) State Fair Trade laws and Unfair Practices Acts; (11) State chain store tax acts; (12) State laws providing for modern regional perishable wholesale produce markets; (13) and numerous State laws that erect trade barriers to the free flow of interstate commerce. Some of these laws have been highly beneficial, while others undoubtedly have had the effect of increasing the cost of wholesaling and retailing farm products without serving the best interests of farmers, consumers, or distributors.

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# Economic Trends Affecting Agriculture

| Year and month               | Industrial production<br>(1935=100) <sup>1</sup> | Income of industrial workers<br>(1924=100) <sup>2</sup> | Cost of living<br>(1924=100) <sup>3</sup> | (1910-14=100)                                     |   |             |                       |            | Taxes <sup>4</sup> |
|------------------------------|--|---|---|---|---|-------------|-----------------------|------------|--------------------|
|                              |  |   |   | Whole-sale prices of all commodities <sup>5</sup> | Prices paid by farmers for commodities used in <sup>6</sup> |             |                       | Farm wages |                    |
|                              |  |   |   |   | Living  | Pro-duction | Living and production |            |                    |
| 1925.....                    | 90   | 98  | 101                                       | 151   | 164   | 147         | 157                   | 176        | 270                |
| 1926.....                    | 96   | 102   | 102                                       | 146   | 162   | 146         | 155                   | 179        | 271                |
| 1927.....                    | 95   | 100   | 100                                       | 139   | 159   | 145         | 153                   | 179        | 277                |
| 1928.....                    | 99   | 100   | 99  | 141   | 160   | 148         | 155                   | 179        | 279                |
| 1929.....                    | 110  | 107   | 99  | 139   | 158   | 147         | 153                   | 180        | 281                |
| 1930.....                    | 91   | 88  | 96  | 126   | 148   | 140         | 145                   | 167        | 277                |
| 1931.....                    | 75   | 67  | 88  | 107   | 126   | 122         | 124                   | 130        | 253                |
| 1932.....                    | 58   | 46  | 79  | 95  | 108   | 107         | 107                   | 96         | 219                |
| 1933.....                    | 69   | 48  | 75  | 96  | 109   | 108         | 109                   | 85         | 187                |
| 1934.....                    | 75   | 61  | 77  | 109   | 122   | 125         | 123                   | 95         | 178                |
| 1935.....                    | 87   | 69  | 79  | 117   | 124   | 126         | 125                   | 103        | 180                |
| 1936.....                    | 103  | 80  | 80  | 118   | 122   | 126         | 124                   | 111        | 182                |
| 1937.....                    | 113  | 94  | 83  | 126   | 128   | 135         | 130                   | 126        | 187                |
| 1938.....                    | 89   | 73  | 81  | 115   | 122   | 124         | 122                   | 125        | 186                |
| 1939.....                    | 108  | 84  | 80  | 113   | 120   | 122         | 121                   | 123        | 190                |
| 1940.....                    | 123  | 95  | 81  | 115   | 121   | 124         | 123                   | 126        | .....              |
| 1940-September.....          | 127  | 99  | 81  | 114   | 121   | 123         | 122                   | .....      | .....              |
| October.....                 | 130  | 101   | 81  | 115   | .....   | .....       | 122                   | 129        | .....              |
| November.....                | 134  | 104   | 81  | 116   | .....   | .....       | 122                   | .....      | .....              |
| December.....                | 139  | 108   | 81  | 117   | 122   | 125         | 123                   | .....      | .....              |
| 1941-January.....            | 140  | 111   | 81  | 118   | .....   | .....       | 123                   | 124        | .....              |
| February.....                | 144  | 111   | 81  | 118   | .....   | .....       | 123                   | .....      | .....              |
| March.....                   | 147  | 113   | 82  | 119   | 124   | 125         | 124                   | .....      | .....              |
| April.....                   | 144  | 113   | 82  | 121   | .....   | .....       | 124                   | 138        | .....              |
| May.....                     | 154  | 125   | 83  | 124   | .....   | .....       | 125                   | .....      | .....              |
| June.....                    | 159  | 133   | 84  | 127   | 129   | 128         | 128                   | .....      | .....              |
| July.....                    | 160  | 138   | 85  | 130   | .....   | .....       | 129                   | 160        | .....              |
| August.....                  | 161  | 138   | 86  | 132   | .....   | .....       | 131                   | .....      | .....              |
| September <sup>7</sup> ..... | .....  | .....   | .....                                     | 134   | .....   | .....       | 133                   | .....      | .....              |

| Year and month      | Index of prices received by farmers (August 1909-July 1914=100) |                        |        |             |              |                |                    | Ratio of prices received to prices paid |
|---------------------|---|------------------------|--------|-------------|--------------|----------------|--------------------|---|
|                     | Grains  | Cotton and cotton-seed | Fruits | Truck crops | Meat animals | Dairy products | Chick-ens and eggs |   |
| 1925.....           | 157   | 177                    | 172    | 153         | 140          | 153            | 163                | 99                                      |
| 1926.....           | 131   | 122                    | 138    | 143         | 147          | 152            | 159                | 94                                      |
| 1927.....           | 128   | 128                    | 144    | 121         | 140          | 155            | 144                | 91                                      |
| 1928.....           | 130   | 152                    | 176    | 159         | 151          | 158            | 153                | 96                                      |
| 1929.....           | 120   | 144                    | 141    | 149         | 156          | 157            | 162                | 95                                      |
| 1930.....           | 100   | 102                    | 162    | 140         | 133          | 137            | 129                | 87                                      |
| 1931.....           | 63  | 63                     | 96     | 117         | 92           | 108            | 100                | 70                                      |
| 1932.....           | 44  | 47                     | 82     | 102         | 63           | 83             | 82                 | 61                                      |
| 1933.....           | 62  | 64                     | 74     | 105         | 60           | 82             | 75                 | 64                                      |
| 1934.....           | 93  | 99                     | 100    | 103         | 68           | 95             | 89                 | 73                                      |
| 1935.....           | 103   | 101                    | 91     | 125         | 118          | 108            | 117                | 86                                      |
| 1936.....           | 108   | 100                    | 100    | 111         | 121          | 119            | 115                | 92                                      |
| 1937.....           | 126   | 95                     | 122    | 123         | 132          | 124            | 111                | 93                                      |
| 1938.....           | 74  | 70                     | 73     | 101         | 114          | 109            | 108                | 78                                      |
| 1939.....           | 72  | 73                     | 77     | 105         | 110          | 104            | 94                 | 77                                      |
| 1940.....           | 85  | 81                     | 79     | 114         | 108          | 113            | 96                 | 80                                      |
| 1940-September..... | 77  | 76                     | 73     | 114         | 114          | 111            | 104                | 80                                      |
| October.....        | 80  | 78                     | 79     | 99          | 112          | 116            | 112                | 81                                      |
| November.....       | 83  | 79                     | 71     | 98          | 112          | 121            | 120                | 81                                      |
| December.....       | 81  | 79                     | 75     | 93          | 111          | 128            | 122                | 82                                      |
| 1941-January.....   | 84  | 80                     | 78     | 117         | 130          | 121            | 100                | 85                                      |
| February.....       | 81  | 80                     | 80     | 156         | 130          | 118            | 90                 | 84                                      |
| March.....          | 84  | 82                     | 83     | 134         | 129          | 118            | 90                 | 83                                      |
| April.....          | 90  | 88                     | 89     | 161         | 137          | 121            | 104                | 89                                      |
| May.....            | 93  | 98                     | 89     | 146         | 138          | 124            | 107                | 90                                      |
| June.....           | 96  | 107                    | 97     | 146         | 144          | 126            | 118                | 92                                      |
| July.....           | 98  | 121                    | 93     | 130         | 154          | 132            | 127                | 97                                      |
| August.....         | 99  | 128                    | 100    | 133         | 158          | 135            | 130                | 100                                     |
| September.....      | 106   | 150                    | 89     | 145         | 166          | 140            | 142                | 105                                     |

<sup>1</sup> Federal Reserve Board, adjusted for seasonal variation. Revised September 1941.

<sup>2</sup> Adjusted for seasonal variation. Revised April 1941.

<sup>3</sup> Monthly indexes for months not reported by the Bureau of Labor Statistics are interpolated by use of the National Industrial Conference Board cost-of-living reports.

<sup>4</sup> Bureau of Labor Statistics index with 1926=100, divided by its 1910-14 average of 68.5.

<sup>5</sup> These indexes are based on retail prices paid by farmers for commodities used in living and production reported quarterly for March, June, September, and December. The indexes for other months are interpolations between the successive quarterly indexes.

<sup>6</sup> Index of farm real estate taxes per acre. Base period represents taxes levied in the calendar years 1909-13, payable mostly within the period Aug. 1, 1909-July 31, 1914.

<sup>7</sup> Preliminary.

NOTE.—The index numbers of industrial production and of industrial workers' income shown above are not comparable in several respects. The base periods are different. The production index includes only mining and manufacturing; the income index also includes transportation. The production index is based on volume only, whereas the income index is affected by wage rates as well as by time worked. There is usually a time lag between changes in volume of production and workers' income, since output can be increased or decreased to some extent without much change in the number of workers.